Calendar No. 730

100TH CONGRESS
2d Session

SENATE

REPORT
100-383

REQUIRING THE SECRETARY OF THE TREASURY TO MINT COINS IN COMMEMORATION OF THE BICENTENNIAL OF THE UNITED STATES CONGRESS

JUNE 10 (legislative day, JUNE 8), 1988.—Ordered to be printed

Mr. PROXMIRE, from the Committee on Banking, Housing, and Urban Affairs, submitted the following

REPORT

[To accompany H.R. 3251]

INTRODUCTION

The Senate Committee on Banking, Housing, and Urban Affairs, to which was referred the bill (H.R. 3251) to require the Secretary of the Treasury to mint coins in commemoration of the Bicentennial of the United States Congress, approved the bill on May 24, 1988, with amendments, report favorably thereon and recommend that the bill as amended do pass.

PURPOSE OF THE LEGISLATION

H.R. 3251, as amended and approved by the Senate Committee on Banking, Housing, and Urban Affairs, authorizes the minting and sale to the public of United States legal tender coins in commemoration of the 200th anniversary of the first session of Congress. The United States Government, under its newly approved Constitution, did not commence until Congress first assembled on March 4, 1789. The coins authorized in this legislation all would have designs emblematic of that historic occasion.

SUMMARY OF THE LEGISLATION

As ordered reported by the Banking Committee, the "Bicentennial of the United States Congress Commemorative Coin Act" would authorize the minting by the Treasury Department of up to 8 million legal tender U.S. coins. The coins would be in denominations of five-dollar gold pieces, one-dollar silver pieces, and clad

S243-2

half-dollars. All designs would be emblematic of the bicentennial of the convening of the first session of Congress. There will be no net cost to the Government for this program. All proceeds from surcharges collected of $35, $7, and $1 respectively, will be deposited in the general fund of the Treasury and be used to reduce the national debt.

Three amendments were adopted in Committee. The first amendment, offered in the nature of a substitute to H.R. 3251, accomplished the following: (1) It lowered the mintage figures of the silver-dollar coins from 10 million to 3 million; and clad half-dollar coins from 10 million to 4 million; (2) It clarified language regarding *Section 4: Design of Coins*—to include the Speaker of the House of Representatives and the President pro tempore of the Senate in the selection process; (3) It extended the termination date of the program from December 31, 1989 to June 30, 1990; (4) It clarified prepaid orders language in *Section 6: Sale of Coins.*

Senator Garn reaised the pricing issue concerning Section 6. He noted it stated in that section that the Secretary of the Treasury shall sell the (gold) coin "at a price equal to the face value, plus the cost of designing and issuing the coins (including labor, materials, dies, use of machinery, and overhead expenses)." Senator Garn asked if that meant that the Secretary could modify the price of the coin to reflect an increase in the price of gold if the rise occurs after the coin is produced.

Staff answered that this question had been raised with the chief counsel for the United States Mint. The chief counsel advised that this section, which is similar to provisions found in other commemorative coin laws, has consistently been interpreted as permitting the Treasury Department to increase the cost of the coin based on an increase in the value of the underlying metal in that coin. This interpretation is based on the fact that the section is not exclusive and permits the Treasury to take into account the cost of materials, as well as other factors, in determining the price of the coin. Thus, the Committee had been assured by the chief counsel that this provision would permit the Mint to raise the price of the coin should the price of gold increase after the coin is produced, but before it is sold.

The second amendment added a new *Section 9: Repeal of the Requirement that Unit States Currency Notes by Reissued After Redemption.* United States notes were first issued under the authority of an 1862 statute. Act of February 25, 1862, ch. 33, 12 Stat. 345 (1862). United States notes presently are backed by the full faith and creidt of the United States. As with other similarly backed notes—such as silver certificates—United States notes have become an obsolete medium of exchange. The obsolescence of United States notes is reflected in section 5119(b) of title 31, United States Code, which lists them with other obsolete currency. This provides for their redemption, cancellation, and destruction. This provision, however, appears inconsistent with the purpose of the codification of title 31, United States Code, which is to "restate, without substantive change, laws enacted before April 16, 1982". Act of September 13, 1982, Public Law 97-258, sec. 4(a), 96 Stat. 877, 1067 (1982). Former section 404 of title 31 required the reissuance of obsolete currency. Since former section 404 was not repealed or other-

wise superseded by the codification and is listed as a derivative source for current section 5119 of title 31, it could be argued that the Secretary must reissue United States notes to replace notes that no longer are fit or appropriate for circulation.

The continued reissuance of United States notes serves no legitimate purpose and would save the Treasury Department associated costs. Enactment of this section makes it clear that United States notes may be canceled and destroyed upon redemption as intended by section 5119(b).

This was requested by Treasury to clarify the ambiguity in law as to whether or not the Treasury Department must reissue United States notes after redemption. This amendment makes it clear that it does not. It had previously been approved by the full Senate in the Mint Authorization bill (S. 1092) passed August 15, 1986.

The third amendment adds a new *Section 10: Authority to Engrave and Print.* The Bureau of Engraving and Printing enjoys close relations with the security printers of foreign nations, including exchanges of technology and joint research projects. The Bureau is constrained in its technological exchange in that it has no authority to accept reimbursement for expenditures it makes in joint projects. The practical result of this constraint is that all joint research and development projects are accomplished at foreign facilities. This amendment would enable the Bureau to carry out research and development in the United States, charge the foreign nation's security printer its proportionate share of such project(s), and retain the expertise developed in the project within the United States.

In addition, the printing houses of other nations have indicated that they would look to the Bureau of Engraving and Printing to assist with short-term currency or security printing requirements in the event of the diminution of their printing capacity. The Bureau of Engraving and Printing needs the authority granted in this amendment to undertake such interim emergency projects, provided it does not interfere with the production of the Bureau necessary for domestic use. Foreign nations would be required to reimburse the Bureau for all expenses. The United States Mint has similar authority to mint coins for foreign governments and seek reimbursement for such activities. 31 U.S.C. sec. 5111(a)(4).

This amendment was requested by Treasury and also had previously been approved by the full Senate in the Mint Authorization Bill (S. 1092) passed August 15, 1986.

SECTION-BY-SECTION ANALYSIS

Section 1—Short Title

This section provides that the short title of the bill is the "Bicentennial of the United States Congress Commemorative Coin Act".

Section 2—Specification of Coins

This section prescribes the number, weight, diameter, and metal content of the five-dollar, one-dollar, and half-dollar face value coins authorized to be minted under the Act. Not more than 1 million five-dollar gold pieces, 3 million one-dollar silver pieces, and 4 million half dollars are to be struck. Specifications for the coins are

as follows: (1) Five-dollar gold coins shall weigh 8.359 grams, be 0.850 inch in diameter, and be composed of 90 percent gold and 10 percent alloy; (2) One-dollar coins shall weigh 26.73 grams, be 1.500 inches in diameter and be composed of 90 percent silver and 10 percent alloy; (3) half-dollar coins shall weigh 11.34 grams, be 1.205 inches in diameter, and be minted according to specifications in section 5112(b) of title 31, United States Code.

The following inscriptions are required for each coin: the face value of the coin; the year "1989"; "Liberty"; "In God We Trust"; "United Sates of America"; and "E Pluribus Unum". The designs of the coins shall be emblematic of the Bicentennial of the United States Congress.

The coins issued under this Act shall be legal tender as provided in section 5103 of title 31. For purposes of section 5132(a)(1) of title 31, all coins minted under this Act shall be considered to be numismatic items.

Section 3—Sources of Bullion

This section directs the Secretary to obtain gold used in the coins authorized under this Act pursuant to existing law 31 U.S.C. sec. 5116. Silver used for minting coins under this Act shall be obtained from stockpiles established under the Strategic and Critical Materials Stock Piling Act. 50 U.S.C. sec 98–98h.

Section 4—Design of Coins

Design selections shall be made by the Secretary of Treasury after consultation with the Speaker of the House of Representatives, the President pro tempore of the Senate, and the Commission of Fine Arts.

Section 5—Issuance of Coins

The five-dollar gold coins minted under this Act may be issued in uncirculated and proof condition and shall be struck at the United States Mint at West Point.

The one-dollar and half-dollar coins minted under this Act may be issued in uncirculated and proof condition. For each denomination, the Secretary may select one Mint at which to strike the proof coins and one Mint at which to strike the uncirculated coins. The Secretary may choose to strike both the proof and uncirculated coins of a particular denomination at the same Mint, but may not strike proof or uncirculated coins of a particular denomination at more than one Mint.

For example, the Secretary may select the United States Mint at San Francisco at which to strike the proof dollars; proof half-dollars might then be struck at the United States Mint at Denver. (Or, proof dollars and uncirculated dollars could be struck at one facility). However, proof dollars (or proof half-dollars) could not be struck at both the San Francisco and Denver facilities.

The Secretary may issue the coins beginning January 1, 1989 and may not mint coins later than June 30, 1990.

Section 6—Sale of Coins

This section allows the Secretary to establish pricing for the coins, taking into account their face value, plus costs associated

with designing and issuing the coins. This includes the cost of the metal content, labor, materials, dies, use of machinery, and overhead expenses. Buk sales may be made at a reasonable discount. Prepaid orders shall be accepted prior to issuing the coins. Sale prices with respect to prepaid orders shall be at a reasonable discount. Surcharges are set at $35 per coin for the five-dollar coins; $7 per coin for the one-dollar coins; and $1 per coin for the half-dollar coins.

Section 7—Financial Assurances

This section ensures that the issuance of the coins authorized by this Act shall result in no net cost to the United States Government. Coins shall not be issued unless the Secretary has received: (1) full payment for such coins; (2) indemnification for full payment which is satisfactory to the Secretary; or (3) a guarantee of full payment from a depository institution whose deposits are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or the National Credit Union Administration Board.

Section 8—Reduction of National Debt

This section directs that all surcharges collected from the sale of coins minted under this Act be deposited in the general fund of the Treasury and shall be used for the sole purpose of reducing the national debt.

Section 9—Repeal of the Requirement that United States Currency Notes be Reissued after Redemption

This amends section 5119(b)(2) of title 31, United States Code, by completing the repeal of the requirement that the Treasury reissue obsolete United States currency notes after redemption. Under sec. 5119(b)(2), United States currency notes are to be canceled and destroyed upon presentment to the Treasury. The prior statute required not only redemption upon presentment, but proscribed the retirement, cancellation, or destruction of United States currency notes. Act of May 31, 1878, ch. 146, 20 Stat. 87 (1878). Section 404 became section 5119(b)(2) in the recodification. Act of September 13, 1982, Public Law 97-258, sec. 4(a), 96 Stat. 877, 1067 (1982). Because it stated in the preamble to the recodification of title 31 that the intent was to restate existing law without substantive change, the former proscription (section 404) against retirement, cancellation, or destruction is still extant. This is inconsistent with the current statutory language in section 5119 that the "Secretary shall redeem from the general fund of the Treasury and *cancel and destroy* [United States currency notes] . . . when the currency is presented to the Secretary" (emphasis added).

This action only affects United States notes, which are an obligation of the Treasury Department; and not Federal Reserve notes, which are backed by the full faith and credit of the United States Government. Federal Reserve notes are the primary form of currency in circulation.

This section maintains outstanding United States notes as legal tender but removes the requirement for the Secretary to continue replacing this obsolete currency. This treatment is in conformity

with treatment afforded the other obsolete currency listed along with United States currency notes in section 5119(b)(1) of title 31.

Section 10—Authority To Engrave and Print

This section accomplishes two things: (1) It authorizes the Secretary of the Treasury, after apprising the Secretary of State, to engrave and print the currency, bonds, and other security documents of a foreign country. This can be done as long as it does not interfere with the Bureau of Engraving and Printing's production which is necessary for domestic use. All costs incurred shall be recovered from the foreign country by the Secretary at a charge not less than the cost of the printing, including labor, materials, use of machinery, and overhead expenses.

(2) It allows the Bureau of Engraving and Printing to engage in cooperative research and development with, or on behalf of, a foreign country. It authorizes the Secretary to charge the foreign nations their proportionate share of the costs for such research and development activities.

Section 5143 of title 31, United States Code, is amended to authorize the Secretary to charge foreign countries for activities carried out in this section.

REGULATORY IMPACT STATEMENT

Pursuant to rule XXVI, paragraph 11(b) of the Standing Rules of the Senate, the Committee has evaluated the regulatory impact of the bill and concludes it would result in no increase in the regulatory burden imposed by the Government.

CHANGES IN EXISTING LAW

The Committee has determined that it is necessary, in order to expedite the business of the Senate, to dispense with the requirements of rule XXVI, paragraph 12, of the Standing Rules of the Senate, with respect to this legislation.

COST OF LEGISLATION

The committee has requested a cost estimate of this legislation under the provisions of section 403 of the Congressional Budget Act of 1974. The cost estimate of the Congressional Budget Office appears below:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 10, 1988.

Hon. WILLIAM PROXMIRE,
Chairman, Committee on Banking, Housing and Urban Affairs, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for H.R. 3251, the Bicentennial of the United States Congress Commemorative Coin Act.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

JAMES L. BLUM,
Acting Director.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: H.R. 3251.

2. Bill title: Bicentennial of the United States Congress Commemorative Coin Act.

3. Bill status: As ordered reported by the Senate Committee on Banking, Housing, and Urban Affairs, May 24, 1988.

4. Bill purpose: The bill would require the Secretary of the Treasury to mint three coins to commemorate the Bicentennial of the U.S. Congress. The bill would limit production of the $5 gold coin, $1 silver coin, and $.50 clad coin to 1 million, 3 million, and 4 million coins, respectively. In addition, the bill would require the Secretary to collect a surcharge of $35, $7, and $1, respectively, on each coin, to be deposited in the general fund of the Treasury.

5. Estimated cost to the Federal Government:

[By fiscal year, in millions of dollars]

	1989	1990	1991	1992	1993
Receipts from surcharges:					
Estimated budget authority	−45	−15			
Estimated outlays	−45	−15			

The budget impact of this bill falls within budget function 800.

Basis of estimate: At this time, the Bureau of the Mint has no estimate of the amount of coins it would produce and sell if this bill were enacted. However, if the Mint produced and sold all of the coins allowed by the bill, then the government would earn $60 million in surcharge receipts during fiscal years 1989 and 1990. Based on the recent experience with the coins commemorating the bicentennial of the U.S. Consitution, it is likely that the Mint could sell all of the Congressional coins allowed by H.R. 3251.

6. Estimated cost to State and local governments: None.

7. Estimate comparison: None.

8. Previous CBO estimate: None.

9. Estimate prepared by: James Hearn.

10. Estimate approved by: C.G. Nuckols, for James L. Blum, Assistant Director for Budget Analysis.

○